

FORM A

**STATEMENT REGARDING THE ACQUISITION OF CONTROL OF
OR MERGER WITH A DOMESTIC INSURER**

AFFIRMATIVE INSURANCE COMPANY OF MICHIGAN
Name of Domestic Insurer

by

ENSTAR HOLDINGS (US) INC.
Name of Acquiring Person ("Applicant")

Filed with the Michigan Department of Insurance and Financial Services

Dated: As of April 21, 2017

Name, Title, address and telephone number of Individual to Whom Notices and Correspondence
Concerning This Statement Should Be Addressed:

Enstar (US) Inc.
411 5th Avenue 5th Fl.
New York, N.Y. 10016
Attention: Robert Redpath
SVP, Corporate Counsel
Telephone: (212) 790-9862
E-mail: robert.redpath@enstargroup.com

With copies to:

Enstar (US) Inc.
411 Fifth Avenue,
New York, NY 10016
Attention: Nadja Stavenhagen
VP, Legal Counsel
Telephone: (212) 790-9845
E-mail: nadja.stavenhagen@enstargroup.com

Drinker Biddle & Reath LLP
One Logan Square, Ste. 2000
Philadelphia, PA 19103-6996
Attention: Daniel W. Krane, Esq.
Telephone: (215) 988-2488

ITEM 1. INSURER AND METHOD OF ACQUISITION

The name of the domestic insurer to which this Form A ("Form A") relates is Affirmative Insurance Company of Michigan ("Affirmative"). Affirmative is sometimes referred to as the "Domestic Insurer". The statutory home office address of the Domestic Insurer is 601 Abbott Road, East Lansing, MI 48823.

Affirmative Insurance Company ("AIC"), an Illinois Insurance Company in Liquidation, currently owns all the issued and outstanding shares of capital stock of Affirmative. Affirmative's ultimate parent company, Affirmative Insurance Holdings, Inc. filed for relief under chapter 11 of the Bankruptcy Code, on October 14, 2015.

Affirmative specializes in non-standard personal automobile insurance business in Michigan and is currently in runoff since June 2011. Affirmative does not retain any of the business that it has written and has reinsurance arrangements in place to cede its business including to the Michigan Catastrophic Claims Association, a private, not-for-profit, unincorporated association, which was established by state legislation to provide unlimited coverage for medical expenses that arise from no-fault automobile accidents. On October 29, 2015, Affirmative was placed into rehabilitation under the control of the Director of the Michigan Department of Insurance and Financial Services ("MI DIFS") under Chapter 81 of the Michigan Insurance Code. This followed the rehabilitation order of its parent company, AIC which was issued in Illinois, on September 16, 2015.¹ The rehabilitation order allows MI DIFS to ascertain Affirmative's financial condition and implement steps to protect Affirmative's policyholders and creditors. Affirmative's rehabilitation is conducted under the supervision of the Ingham County Circuit Court.

On April 7, 2017, the Acting Director of Insurance for the State of Illinois, in her capacity as the statutory and court-affirmed liquidator of AIC, the Director of MI DIFS, in his capacity as rehabilitator for Affirmative ("Seller"), and Enstar Holdings (US) Inc., ("Enstar Holdings"), entered into a Share Purchase Agreement for the purchase and sale of 100% of the shares of Affirmative by Enstar Holdings.

Enstar Holdings is a Delaware corporation, ultimately owned by Enstar Group Limited², a Bermuda corporation, the stock of which is publicly traded on NASDAQ ("Enstar"). Enstar,

¹On March 24, 2016, Affirmative Insurance Company was ordered into Liquidation.

² On March 4, 2016, Canada Pension Plan Investment Board ("CPPIB") acquired ordinary voting shares of Enstar Group Limited ("Enstar"), representing approximately 4.6% of Enstar's total voting shares. On March 9, 2016, CPPIB contributed the newly-acquired shares to CPPIB Epsilon Ontario Limited Partnership, a newly-established Ontario limited partnership. CPPIB is the sole limited partner of the limited partnership and CPPIB Epsilon Ontario Trust is the sole general partner of the limited partnership. Mr. Poul Winslow, an employee of CPPIB and director of Enstar, is the sole trustee of the trust. After giving effect to the contribution of shares to the limited partnership, CPPIB and the limited partnership hold approximately 9.3% and 4.6%, respectively, of Enstar's total voting shares. Nevertheless, CPPIB entered into a special commitment with the New York State Department of Financial Services, dated February 17, 2016, pursuant to which CPPIB agreed, among other things, not to directly or indirectly vote

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directly and through its subsidiaries, is in the business of acquiring and managing insurers and reinsurers in run-off and providing management, consulting and other services to the insurance and reinsurance industry.

Following the closing (the “Closing”) of the transaction contemplated (the “Proposed Transaction”), Enstar Holdings (US) will own 100% of the shares of Affirmative, and as a result will control the Domestic Insurer. A copy of the Share Purchase Agreement is attached hereto as Exhibit A.

Completion of the Proposed Transaction is conditioned on, among other things, approval of the Proposed Transaction by the Michigan Court and dismissal of the rehabilitation proceedings, approval by the Supervisory Court of the Proposed Transaction, governmental and regulatory approvals and satisfaction of various customary closing conditions.

Further, as at December 31, 2016, Affirmative’s Risk-Based-Capital at 350% solvency ratio was \$ 201k. The minimum capital requirement set by the MI DFS is \$7.5m. Upon approval of this Form A by the MI DFS, Enstar will provide additional capital in the amount required to meet the minimum capital requirement.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

(a) Name and Business Address

Enstar Holdings (US) Inc.
150 2nd Ave N 3rd floor
St. Petersburg FL 33701
Attention: Paul Brockman

(b) The Applicants’ Business Operations

Enstar Holdings is a corporation formed under Delaware law on July 30, 2003. Enstar Holdings has not conducted any business other than serving as a vehicle for owning stock in other corporations.

Enstar Holdings’ ultimate parent, Enstar is a publicly-traded Bermuda exempted company in the business of acquiring and operating insurers and reinsurers located throughout the world, which are in run-off. In 2013, Enstar expanded into live underwriting through its acquisition of the Atrium Underwriting Group Limited, Arden Reinsurance Company Ltd and StarStone, a global property & casualty and specialty lines insurer with multiple global underwriting platforms including Lloyds Syndicate 1301. A more detailed description of Enstar and its business is contained in its Annual Reports on Form 10-K for the past five years and the

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more than 9.9% of the outstanding voting common stock of Enstar. As a result of this special commitment, CPPIB does not control Enstar.

Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017, filed with the United States Securities and Exchange Commission ("SEC") and attached hereto as part of Exhibit C.

(c) **ORGANIZATIONL CHART**

An organizational chart presenting the identities of and the interrelationships among Enstar Holdings (US) Inc. and its affiliates (the "Organizational Chart") is attached hereto as Exhibit B. The Organizational Chart sets forth the type of organization and the state or other jurisdiction of domicile for each person specified therein. There are currently no court proceedings pending involving a reorganization or liquidation with respect to the Applicant or any of its affiliates listed on the Organizational Chart.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT

(a) A list of: (i) all current directors and executive officers of Applicant, and (ii) any entity that, directly or indirectly, owns 10% or more of the voting securities of Applicant is attached hereto as Exhibit D. Biographical affidavits for each individual identified in Exhibit E and described in Item 5 as a proposed director and/or executive officer of the Domestic Insurer, are submitted to the Department as Exhibit H. The majority of biographical affidavits on behalf of the Directors and Officers of the ultimate controlling parent, Enstar Group Limited, will be submitted to the Department under separate cover during the first week of May the "Biographical Affidavits").

(b) Except as may be disclosed in the Biographical Affidavits, to the Applicants' knowledge, none of the individuals identified in Exhibit D and Exhibit E has been convicted in a criminal proceeding (excluding minor traffic violations) during the last 10 years.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

(a) **Consideration**

As more fully set forth in the Share Purchase Agreement and subject to the terms and conditions set forth therein, at the Closing, the purchase price for Affirmative is five million and twenty-five thousand dollars in United States Currency (\$5,025,000 U.S.).

(b) **Criteria Used in Determining Consideration**

The Purchase Price was reached through arm's length negotiations between Enstar Holdings and Seller. There are no affiliations between Enstar and its affiliates and the Domestic Insurer.

ITEM 5. FUTURE PLANS OF INSURER

Except as otherwise may be disclosed in this Form A or the Business Plan for the Domestic Insurer, the Applicant has no present intention to declare an extraordinary dividend from the Domestic Insurer, to liquidate the Domestic Insurers or to sell its respective assets to any other person or persons. However, Applicant intends to redomesticate Affirmative to Illinois while simultaneously merging it with one of its affiliates, Clarendon National Insurance Company. A copy of the Business Plan including 3-year projections is submitted to the MI DFS as Exhibit G to this Form A.

As more fully set forth in the respective Business Plan, Applicant anticipates that following the merger the surviving entity, Clarendon National Insurance Company, will continue to run off Affirmative's remaining business to its completion. The Applicant reserves the right to review the business, assets, corporate structure, dividend policy, capitalization, operations, properties, business policies, articles of incorporation, by-laws, management and personnel of the Domestic Insurer, and, subject to applicable state insurance regulatory requirements, make any further changes that the Applicant deems appropriate in light of such review or future developments.

The Applicant currently contemplates that after the consummation of the Proposed Transaction, the individuals set forth on Exhibit E will be the directors and executive officers of the Domestic Insurer. Information regarding the individuals identified in Exhibit E is set forth in the Biographical Affidavits.

The Proposed Transaction will not substantially lessen competition in insurance in Michigan or create a monopoly in Michigan due to Affirmative's run-off status. Further, no insurance company that, directly or indirectly, is owned or controlled by Applicant competes in any material respect with the Domestic Insurer's line of business written in Michigan.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

Pursuant to the terms and subject to the conditions set forth in the Share Purchase Agreement, on the Closing date, Affirmative will become an indirect, wholly-owned subsidiary of Enstar. Enstar Holdings will hold directly the shares of Affirmative, which represent 100% of the issued and outstanding capital stock of Domestic Insurer. The authorized capital stock of Affirmative consists solely of 75,000 shares of common stock, par value \$100.00 per share, all of which are issued and outstanding. The shares have been duly authorized and validly issued and are fully paid and non-assessable. The shares represent the only issued and outstanding equity securities of the Company. All of the shares were issued in compliance with applicable laws.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

Other than the shares directly or indirectly owned by Enstar Holdings and Enstar, there are no securities of the Domestic Insurer that are beneficially owned or concerning which there is

a right to acquire beneficial ownership by Applicant, its respective affiliates or any person listed in either Exhibit D or Exhibit E.

ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER

Other than the Share Purchase Agreement and the Proposed Transaction, there exists no contract, arrangement or understanding with respect to any voting security of Domestic Insurer in which the Applicant, its respective affiliates or any person listed in Exhibit D or Exhibit E is involved, including, but not limited to, transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

Other than the Share Purchase Agreement and the Proposed Transactions, there have been no purchases of any voting securities of the Domestic Insurer by the Applicant, its respective affiliates or any person listed in Exhibit D or any person listed in Exhibit E during the twelve (12) calendar months preceding the filing of this Form A.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

Other than the Purchase Agreement and the Proposed Transaction, there have been no recommendations to purchase any voting security of the Domestic Insurer made by the Applicant, its respective affiliates or any person listed in either Exhibit D or Exhibit E or by anyone based upon interviews or at the suggestion of Applicant, its affiliates or any person listed in Exhibit D or Exhibit E during the twelve (12) calendar months preceding the filing of this Form A.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

There are no agreements, contracts or understandings made between the Applicant, its respective affiliates, or any person listed in either Exhibit D or Exhibit E, on the one hand, and any broker-dealer, on the other, as to solicitation of voting securities of Domestic Insurer for tender.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

(a) Attached hereto are the following exhibits:

Exhibit A: Share Purchase Agreement

Exhibit B: Organizational Chart of Enstar Group Limited and Its Affiliates

Exhibit C : Financial Statements:

- Exhibit C-1: Unaudited Financial Statements of Enstar Holdings (US) Inc. as of December 31, 2016³
- Exhibit C-2-A: SEC Form 10-K Annual Report for the fiscal year ended December 31, 2016 for Enstar Group Limited⁴
- Exhibit C-2-B: SEC Form 10-K Annual Report for the fiscal year ended December 31, 2015 for Enstar Group Limited
- Exhibit C-2-C: SEC Form 10-K Annual Report for the fiscal year ended December 31, 2014 for Enstar Group Limited
- Exhibit C-2-D: SEC Form 10-K Annual Report for the fiscal year ended December 31, 2013 for Enstar Group Limited
- Exhibit C-2-E: SEC Form 10-K Annual Report for the fiscal year ended December 31, 2012 for Enstar Group Limited
- Exhibit D: List of Current Directors and Executive Officers of Applicants, and of 10% Owners
- Exhibit E: List of Proposed Directors and Executive Officers of Domestic Insurer
- Exhibit F: Notices of Annual General Meetings and Proxy Statements of Enstar Group Limited
- Exhibit F-1: Notice of the 2016 Annual General Meeting and Proxy Statement of Enstar Group Limited
- Exhibit F-2: Notice of the 2015 Annual General Meeting and Proxy Statement of Enstar Group Limited
- Exhibit G: Narrative Business Plan and three-years financial projections of Affirmative
- Exhibit H: Biographical Affidavits

(b) Other than the Share Purchase Agreement and the Proposed Transactions, there are no tender offers for, requests or invitations for, tenders of, exchange offers for, and agreements to

³ Q1 2017 not available yet.

⁴ Q1 2017 not available yet.

acquire or exchange any voting securities of the Domestic Insurer, or additional soliciting material relating thereto.

(c) Except as otherwise may be disclosed in the respective Business Plan, there are no proposed employment, consultation, advisory or managing contracts concerning the Domestic Insurer.

ITEM 13. AGREEMENT REQUIREMENTS FOR ENTERPRISE RISK MANAGEMENT

Applicant agrees to provide to the best of its knowledge and belief the information required by Form F within fifteen (15) days after the end of the month in which the acquisition of control occurs.

[Signature Pages Follow]

ITEM 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Section 1311 of the Insurance Code of 1956 as amended, Enstar Holdings (US) Inc. has caused this application to be duly signed on its behalf in the City of New York and State of New York, on the 21st day of April, 2017.

(SEAL)

ENSTAR HOLDINGS (US) INC.

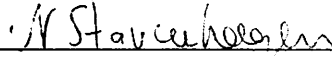
By: N. Stavenhagen
Name: Nadja Stavenhagen
Title: Assistant Secretary

Attest:

R. Redpath
Name: Robert Redpath
Title: Assistant Secretary

CERTIFICATION

The undersigned deposes and says that she has duly executed the attached application dated April 21, 2017, for and on behalf of Enstar Holdings Inc., that she is the Assistant Secretary of such company, and that she is authorized to execute and file such instrument. Deponent further says that she is familiar with such instrument and the contents thereof, and that the facts set forth therein are true to the best of her knowledge, information and belief.



Name: Nadja Stavenhagen

Title: Assistant Secretary